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ALABAMA Business & ECONOMIC INDICATORS

Volume 59 Number 7 Center for Business and Economic Research July 1990

Creating a New Comparative Advantage for Alabama: The Key to the 1990s

As the story goes, Rip Van Winkle slept for 20 years to awaken to unfathomable changes to his world. Today that sleep would only have to last for a year or two to produce similar results. In today's high-tech, information-intensive global economy, change is not only expected, but necessary for survival. This rapidity of change is forcing many states to rethink a development strategy based upon promoting their existing comparative advantages.

Comparative advantage is defined as an advantage which arises when a *relative* (as opposed to absolute) efficiency exists. When a state has a comparative advantage it usually means that certain goods or services can be more efficiently produced there than in other locations. Alabama certainly could grow some wheat and Nebraska could grow some cotton, but it is more efficient for Alabama to grow cotton and import wheat while Nebraska exports wheat and imports cotton.

The factors which determine comparative advantage include the endowment of natural resources, human capital investment, capital equipment, and technology. Collectively they determine the overall level of productivity of a state and in turn its competitiveness in national and world markets. Once a state accurately determines its comparative advantage, an economic development strategy can be developed. As long as the combination of factors which determine comparative advantage do not change, a state's comparative advantage (and development strategy) can be maintained. However, recall that comparative advantage is a relative advantage and is not based upon internal or absolute factors alone.

Reduced trade barriers, improved communications, speedier and more efficient transportation networks, and rapid technology transfer are all important forces operating in today's global economy. These forces have led to the rapid entry of other countries into the comparative advantage calculation. Based upon the data on their increasing share of world exports, some of these countries have a significant comparative advantage. For example, the "Four Tigers" (Taiwan, South Korea, Hong Kong, and Singapore) plus China and Japan accounted for only 8.2 percent of world exports in 1967. Just 10 years later (1977), they accounted for 11.9 percent, and in 1987 they accounted for 19.1 percent of world exports. This increase in the share of world exports was at the expense of other countries whose share declined. Since most of these countries offer a comparative advantage based upon a relatively low cost of production, a comparative advantage based upon low labor cost in Alabama is not likely to be a sustainable advantage in a global economy.

Given the speed with which new competitors can enter the market for goods and services, a sustainable comparative advantage must be built upon factors which are not quickly and easily matched. Those factors include technological superiority, a highly skilled and productive labor force, a modern and efficient infrastructure, and a high quality of life. Collectively, these factors can result in a highly productive labor force capable of attracting new business from outside the state's borders. But more importantly, such a combination of factors will create an environment in which economic activity springs up from within the state, a source of growth that is becoming more important. If these factors are not part of a state's current inventory of economic assets, then they will need to be created. A comparative advantage based upon low cost of labor will not produce a successful economic development strategy in the 1990s.

William D. Gunther

WORLD EXPORTS
(Billions of dollars)

	1967	1977	1987
World	$198.9	$1,058.3	$2,358.3
Four Tigers			
Taiwan	0.7	10.0	54.0
South Korea	0.3	10.0	47.3
Hong Kong	1.5	9.6	48.5
Singapore	1.1	8.2	28.7
China	2.4	7.5	40.0
Japan	10.4	81.1	231.3
Total	$16.4	$126.4	$449.8
World Share	8.2%	11.9%	19.1%

Source: IMF International Financial Statistics Yearbook, and Taiwan Statistical Data Book.

	TAXABLE RETAIL SALES (in thousands of current dollars)				LABOR FORCE		
	Mar 1990[p]	Feb 1990[r]	Feb 1989	Percent Change Feb 90-Feb 89	Civilian Labor Force Mar 1990	Unemployment Rate Mar 90	Feb 90
Alabama, State of	1,811,985	1,546,725	1,668,018	-7.3	1,896,200	6.9	7.2
MSAs							
Anniston	43,932	39,792	43,207	-7.9	51,490	7.7	7.0
Birmingham	449,877	373,003	430,192	-13.3	439,870	5.6	5.4
Decatur	46,870	44,622	46,029	-3.1	60,970	6.9	9.7
Dothan	62,511	54,965	59,105	-7.0	59,450	5.4	5.6
Florence	62,933	59,135	58,377	1.3	60,940	6.4	7.7
Gadsden	37,152	35,925	37,218	-3.5	42,770	10.7	10.5
Huntsville	117,802	105,379	110,312	-4.5	133,310	4.6	5.1
Mobile	209,093	175,433	183,567	-4.4	208,310	6.7	7.3
Montgomery	150,856	127,322	142,987	-11.0	138,310	5.8	6.1
Tuscaloosa	62,151	53,932	59,726	-9.7	71,780	4.1	9.5
Counties							
Autauga	9,591	11,822	12,250	-3.5	16,120	6.0	6.7
Baldwin	42,896	33,659	33,968	-0.9	40,200	6.3	6.7
Barbour	8,759	5,660	6,556	-13.7	12,020	7.2	7.1
Bibb	3,240	3,084	3,306	-6.7	7,060	5.7	8.8
Blount	8,401	8,111	8,263	-1.8	18,280	13.6	6.8
Bullock	2,001	1,330	1,684	21.0	4,110	9.8	10.9
Butler	5,337	3,783	4,321	-12.5	8,200	13.3	13.8
Calhoun	43,932	39,792	43,207	-7.9	51,490	7.7	7.0
Chambers	10,045	8,738	9,882	-11.6	16,690	7.4	6.6
Cherokee	5,994	4,070	4,897	-16.9	8,460	16.2	8.2
Chilton	10,010	9,284	8,845	5.0	15,180	7.7	8.3
Choctaw	3,055	2,359	2,772	-14.9	6,890	14.9	14.7
Clarke	8,707	6,543	7,589	-13.8	11,190	7.2	8.5
Clay	3,252	2,336	2,769	-15.6	6,570	11.6	5.2
Cleburne	2,677	2,259	2,203	2.5	5,640	8.9	7.0
Coffee	13,172	12,154	15,802	-23.1	18,360	9.4	5.9
Colbert	27,432	24,604	25,916	-5.1	23,930	7.8	8.4
Conecuh	2,488	2,122	2,499	-15.1	5,670	8.6	8.8
Coosa	1,130	905	1,051	-13.9	5,010	6.1	6.0
Covington	14,705	12,035	12,671	-5.0	17,100	12.5	6.7
Crenshaw	4,492	3,603	3,553	1.4	6,730	7.7	7.4
Cullman	22,436	20,708	21,578	-4.0	32,970	7.5	6.9
Dale	11,868	11,104	10,656	4.2	18,740	8.6	7.7
Dallas	13,265	12,748	14,792	-13.8	19,700	11.0	11.0
De Kalb	17,188	15,320	14,937	2.6	30,560	8.4	6.8
Elmore	13,227	10,738	11,100	-3.3	22,510	7.2	5.8
Escambia	11,218	8,682	9,258	-6.2	15,400	8.1	9.0
Etowah	37,152	35,925	37,218	-3.5	42,770	10.7	10.5
Fayette	5,087	3,878	4,431	-12.5	7,840	12.6	13.9
Franklin	7,634	7,387	7,328	0.8	14,610	15.7	11.1
Geneva	4,986	3,732	4,484	-16.8	11,160	5.3	5.3
Greene	2,125	1,725	1,727	-0.1	3,520	9.9	13.3
Hale	2,605	2,229	2,505	-11.0	5,990	7.2	11.4
Henry	3,405	2,817	3,557	-20.8	7,210	5.2	5.5
Houston	50,643	43,861	48,449	-9.5	40,720	3.9	4.6
Jackson	14,457	11,811	12,455	-5.2	21,000	9.8	9.6
Jefferson	371,711	300,592	349,858	-14.1	327,890	4.9	5.0
Lamar	3,311	2,644	2,783	-5.0	8,160	7.1	7.9
Lauderdale	35,501	34,531	32,461	6.4	37,010	5.5	7.2
Lawrence	4,659	4,331	4,970	-12.9	12,780	9.3	12.7
Lee	35,430	28,530	30,900	-7.7	41,780	8.2	6.9
Limestone	14,976	14,846	14,881	-0.2	30,620	6.2	6.2
Lowndes	2,302	1,594	1,778	-10.3	5,650	12.2	13.7
Macon	5,019	4,999	4,845	3.2	10,070	7.3	7.8
Madison	117,802	105,379	110,312	-4.5	133,310	4.6	5.1
Marengo	6,182	6,574	6,930	-5.1	9,590	6.5	7.6
Marion	11,062	8,255	8,174	1.0	14,990	12.5	14.1
Marshall	33,778	29,492	31,386	-6.0	38,440	9.7	8.2
Mobile	166,197	141,774	149,599	-5.2	168,100	6.7	7.4
Monroe	9,062	7,063	7,316	-3.5	10,540	9.2	10.5
Montgomery	128,038	104,762	119,637	-12.4	99,690	5.5	6.0
Morgan	42,211	40,291	41,059	-1.9	48,200	6.3	8.9
Perry	2,117	1,695	1,945	-12.9	5,410	8.0	12.5
Pickens	4,402	3,425	3,692	-7.2	7,240	9.4	13.5
Pike	9,092	8,954	10,421	-14.1	13,020	5.8	6.0
Randolph	5,599	4,847	5,212	-7.0	9,030	7.3	6.7
Russell	11,979	13,538	11,380	19.0	22,240	6.5	6.2
St. Clair	12,437	8,972	11,448	-21.6	21,760	5.5	6.4
Shelby	30,193	30,106	32,979	-8.7	42,570	3.4	4.0
Sumter	2,440	2,614	2,763	-5.4	5,950	7.5	8.0
Talladega	25,652	23,648	26,369	-10.3	31,750	10.2	9.5
Tallapoosa	10,568	9,109	9,399	-3.1	18,520	6.9	6.0
Tuscaloosa	62,151	53,932	59,726	-9.7	71,780	4.1	9.5
Walker	27,135	25,222	27,644	-8.8	29,360	11.8	9.7
Washington	2,081	1,885	1,860	1.3	6,540	10.3	10.9
Wilcox	2,261	1,815	1,987	-8.7	4,000	11.8	12.6
Winston	7,183	7,045	6,121	15.1	10,600	11.3	13.4

SELECTED ECONOMIC INDICATORS

	Mar 1990	Feb 1990	Mar 1989	Percent Change Mar 90-Mar 89	Annual 1988	Annual 1989
Prices						
Consumer Price Index, U.S. All Items (1982-84 = 100)	128.7	128.0	122.3	5.2	118.3	124.0
Producer Price Index, U.S. All commodities (1982 = 100)	114.2	114.4	111.5	2.4	106.9	112.2
Consumer Purchasing Power of the Dollar	0.78	0.78	0.82	-5.0	0.85	0.81
Alabama Employment						
Total Employment (1,000)	1,764.5	1,736.7	1,776.2	-0.7	1,738.0	1,773.0
Nonagricultural	1,585.2	1,586.5	1,582.9	0.1	1,558.7	1,588.3
Manufacturing	371.5	375.8	382.3	-2.8	380.6	383.8
Durable goods	185.2	185.3	186.1	-0.5	184.0	187.5
Nondurable goods	186.3	190.5	196.2	-5.0	196.6	196.3
Nonmanufacturing	1,213.7	1,210.7	1,200.6	1.1	1,178.1	1,204.5
Mining and quarrying	11.8	11.7	11.6	1.7	11.2	11.3
Contract construction	76.7	76.4	74.2	3.4	78.0	75.9
Trans, comm., and utilities	80.0	79.7	80.8	-1.0	79.5	80.1
Wholesale trade	84.4	84.4	83.7	0.8	80.9	84.2
Retail trade	260.8	260.8	262.3	-0.6	258.8	264.9
Finance, insurance, real estate	70.9	71.0	70.9	0.0	70.3	70.9
Services and miscellaneous	306.6	306.0	301.6	1.7	289.8	302.4
Federal government	66.2	65.1	64.1	3.3	66.0	64.9
State and local government	256.3	255.6	251.4	1.9	243.5	249.8
Other Alabama Indicators						
Bituminous coal production (1,000 net tons)	2,542	2,295	2,765	-8.1	26,055	26,574
Natural gas production (mil cu ft)	15,619	14,137	16,342	-4.4	176,008	181,285
Crude oil and condensate production (1,000 barrels)	1,615	1,467	1,750	-7.7	20,597	19,622
Cotton consumption (1,000 lbs)	54,736	46,980	45,356	20.7	482,002	546,490
Pulp, paper, and paperboard production (1,000 net tons)	563	569	583	-3.4	6,977	7,027
Shipments by water, Port of Mobile (1,000 tons)	2,997	3,151	3,067	-2.3	32,684	36,575
New passenger car registrations*	9,716	9,081	9,762	-0.5	133,614	116,117

	Mar 1990	Feb 1990	Feb 1989	Percent Change Feb 90-Feb 89	Annual 1988	Annual 1989
Alabama Taxable Retail Sales ($1,000,000)						
Food	278	282	331	-14.7	4,128	4,206
General merchandise	170	214	197	8.9	3,047	3,097
Apparel	81	54	53	2.6	933	930
Furniture, furnishings, etc.	84	66	70	-5.8	1,035	1,025
Automotive	371	281	305	-7.8	4,233	4,223
Gasoline service stations	26	20	22	-8.7	294	308
Lumber and building materials	152	108	104	3.6	1,713	1,652
Hardware and farm implements	19	14	15	-5.5	234	235
Eating and drinking places	180	138	146	-6.0	1,915	2,027
Drug stores	29	29	34	-15.6	418	410
Miscellaneous retail	134	107	125	-14.5	1,641	1,680
Nonretail & unclassified	286	233	265	-12.2	3,414	3,595
Total, all sales at retail	1,812	1,547	1,668	-7.3	23,006	23,388

Notes and Sources: Civilian labor force, unemployment, and total employment are adjusted by place of residence, and total nonagricultural employment and its components are by place of work. All monthly data are adjusted to a March benchmark of the previous year. Shipments by water include both inbound and outbound shipments moving through private facilities as well as through the Alabama State Docks; excludes tonnage for military installations. Retail sales data represent sales at retail which are subject to sales tax as reported to the Alabama Department of Revenue under the definition of the Alabama Sales Tax Law. Total sales figures include taxable sales at retail by wholesalers and other nonretail firms as well as retail concerns. Sales at retail thus defined should not be confused with all sales (including nonretail sales) by retail concerns as reported in the Census of Retail Trade. Monthly sales figures are preliminary and subject to revision on a continuing basis. Sales figures for the two latest months are normally low because of late reporters. MSA and county level sales are estimated for multi-county firms using the 1985 disaggregation survey conducted by the Alabama Department of Revenue. Data estimates, thus, may not reflect current disaggregations for these firms. *Data on new passenger car registrations may not be reused in any manner without the express permission of R.L. Polk and Company.

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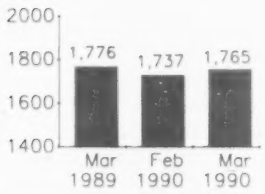
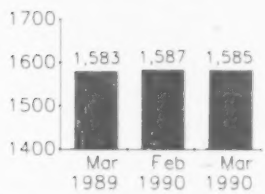
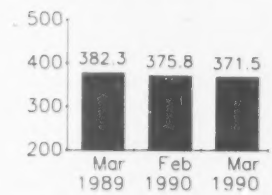
TOTAL EMPLOYMENT
(Thousands)



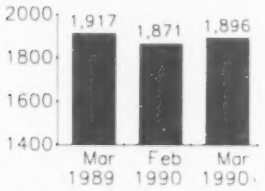
NONAGRICULTURAL EMPLOYMENT
(Thousands)



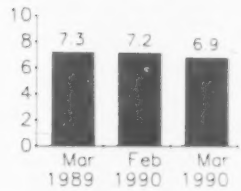
MANUFACTURING EMPLOYMENT
(Thousands)



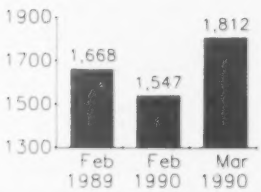
CIVILIAN LABOR FORCE
(Thousands)



UNEMPLOYMENT RATE
(Percent)



TOTAL RETAIL SALES
($ Millions)



TAKE NOTE

February 1990 retail sales figures reported in this issue continue to be low. New data tapes just received from the Department of Revenue for January and February 1990 are being processed, and corrected numbers will be available soon. Preliminary data for March 1990 are correct.

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